

Message Text

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ACTION NEA-12

INFO OCT-01 EUR-25 EA-11 ISO-00 PM-07 NSC-10 SPC-03 SS-20

RSC-01 CIAE-00 DODE-00 INR-10 NSAE-00 PA-04 USIA-15

PRS-01 AID-20 COME-00 EB-11 LAB-06 SIL-01 DRC-01

TRSE-00 OMB-01 AGR-20 /180 W
----- 117749

R 130230Z DEC 73

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 1633

INFO AMCONSUL CALCUTTA

AMEMBASSY ISLAMABAD

AMEMBASSY LONDON

AMEMBASSY KATHMANDU

AMEMBASSY NEW DELHI

AMEMBASSY RANGOON

CINCPAC

C O N F I D E N T I A L SECTION 1 OF 2 DACCA 5406

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: EGEN, PDEV, PINT, PFOR, BG

SUBJECT: BANGLADESH TWO YEARS AFTER LIBERATION-SOCIALISM (FAILED)

REF: DACCA 5403

1. SOCIALISM-LAST OF FOUR PRINCIPLES OF PEOPLE'S REPUBLIC OF BANGLADESH IS NEWEST, PERHAPS MOST IMPORTANT. AWAMI LEAGUE, PREVIOUSLY A CENTRIST PARTY ADVOCATING SECULARISM, NATIONALISM, AND DEMOCRACY--ADDED SOCIALISM ONLY AS POLITICAL FULCRUM SHIFTED LEFT. TODAY PARTY NOT WHOLLY UNIFIED ON CONTENT AND MEANS OF ACHIEVING SOCIALISM AND APPEARS DIVIDED INTO SHIFTING GROUPS THAT MIGHT BE CALLED THE "PRAGMATISTS" AND THE "IDEOLOGUES". PRAGMATISTS DEDICATED TO SOCIALISM AS A MEANS OF RETAINING AND EXPANDING POWER AND, WITH MODIFICATIONS BASED ON EXPERIENCE, AS A MEANS OF ACHIEVING ECONOMIC
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GROWTH AND DEVELOPMENT. IDEOLOGUES, COGNIZANT OF DRASTIC CHANGE

WHICH SOCIALISM CALLS FOR IN TRADITIONAL SOCIETY, ADVOCATE AN ENFORCED MARCH UNDER CENTRALIZED AUTHORITY TOWARD THE SHINING GOAL.

2. INTERNATIONALLY BD HAS ACHIEVED EASY RECOGNITION AS A SOCIALIST STATE. DOMESTICALLY RECORD IS MOSTLY ONE OF FAILURE.

3. WITHIN BD, SOCIALISM IS EQUATED WITH ORGANIZATION OF PRODUCTIVE FORCES FOR EQUITABLE CREATION AND DISTRIBUTION OF WEALTH. MEANS ADOPTED HAVE BEEN CENTRALIZED PLANNING, STATE CONTROL OF TRADE, NATIONALIZATION OF MAJOR INDUSTRIES AND SERVICES, AND COOPERATIVIZATION OF AGRICULTURE. AGAIN, RECORD ON PAPER FAIRLY IMPRESSIVE. ACTUAL IMPLEMENTATION OF SOCIALIST PROGRAMS IS SO DEFECTIVE THAT OPPOSITION IS RAISING QUESTION WHETHER REGIME IS TRULY INTERESTED IN SOCIALISM. THERE ARE THOSE WHO SUGGEST THAT MUJIB HAS LAUNCHED ILL-CONCEIVED SOCIALIST PROGRAMS SO AS TO PROVE THEIR INADEQUACY AND THUS PREPARE WAY FOR A RETURN TO CAPITALIST SYSTEM.

4. TWO ANNUAL DEVELOPMENT PLANS SO FAR HAVE BEEN BALANCED AND REALISTIC, BUT HAVE NOT, ALAS, BEEN CARRIED OUT. REASONS RELATE TO:

- A) FAILURE TO MOBILIZE DOMESTIC AND FOREIGN RESOURCES FOR DEVELOPMENT; EMPHASIS MORE ON MEETING CONSUMPTION REQUIREMENT; LACK OF ANY CONVICTION THAT FOLLOWING A SUCCESSFUL REVOLUTION, A FURTHER PERIOD OF SELF-SACRIFICE IS REQUIRED.
- B) OVERCENTRALIZATION OF GOVERNMENT DECISION-MAKING, AND EXCESSIVE POLITICIALIZATION OF THAT PROCESS AT HIGHER LEVELS, LEADING TO LONG DELAYS BEFORE PROGRAMS ARE FINALIZED AND IMPLEMENTED.
- C) LACK OF COOPERATION AND COMMON PURPOSE AMONG BUREAUCRATS; INFIGHTING AMONG CIVIL SERVANTS (1) WHO WERE WITH GOVERNMENT-IN-EXILE, (2) WHO STAYED IN EAST PAKISTAN DURING WAR, AND (3) WHO ARE NOW BEING REPATRIATED FROM FORMER WEST PAKISTAN; DEMORALIZATION OF CIVIL SERVANTS, AS THEY ARE SUSPENDED OR SHIFTED ABOUT FOR PECCADILLOS WHILE PARTY FAITHFUL ARE NOT.
- D) LACK OF TRAINED MANPOWER, PARTICULARLY AT MIDDLE/LOWER ECHELONS; GENERAL INEFFICIENCY.
- E) CORRUPTION
- F) DISSIPATION OF PROGRAMS AT GRASS-ROOTS LEVEL. FARMERS AND WORKERS HAVE NOT YET BEEN ABLE TO IDENTIFY THE "POSSIBILITY OF CHANGE" AND PROSPECTS FOR THEIR OWN INDIVIDUAL BETTERMENT IN DEVELOPMENT PROGRAMS LAUNCHED BY GOVERNMENT.

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5. STATE CONTROL OF TRADE HAS BEEN RAPIDLY EXPANDED IN IMPORTS AND EXPORTS, AND DOMESTIC TRADE AND TRANSPORT. PRIVATE SECTOR (OUTSIDE OF SUBSISTENCE ECONOMY) HAS BEEN SHARPLY CONSTRICTED AND SOCIALIST POLITICIANS CONTINUALLY BRING PRIVATE SECTOR UNDER CHARGES OF EXPLOITATION. RESULT OF SPREADING STATE CONTROL HAS NOT BEEN CONSTRUCTIVE, IN PART FOR REASONS MENTIONED IN CONTEXT OF DEVELOPMENT PROGRAM.

6. IN FOREIGN TRADE, NONFOOD IMPORTS HAVE FALLEN FAR BELOW
PROJECTED TARGET LEVELS, CREATING ACUTE SCARCITIES OF RAW MATER-
IALS, COMPONENTS, SPARES, CHEMICALS, AND FUEL THAT ARE URGENTLY
NEEDED TO PUT INDUSTRY AND AGRICULTURE BACK TO FULL WORKING CAPACITY.
GOVERNMENT REVENUES HAVE ALSO SUFFERED SINCE THEY ARE MAINLY DE-
RIVED FROM IMPORT DUTIES AND EXCISE TAX ON GOODS PRODUCED IN
MOST CASES FROM IMPORTS. (LOW LEVEL OF IMPORTS ATTRIBUTABLE AS WELL
TO VERY TIGHT CONTROL EXERCISED OVER FOREIGN EXCHANGERESERVES BY
CONSUMPTION-ORIENTED GOVERNMENT STILL PREOCCUPIED WITH FOODGRAIN
IMPORTS. BDG APPEARS TO FEEL IT MUST AGAIN MAKE LARGE COMMERCIAL
PURCHASES OF FOODGRAINS ABROAD AS IT DID IN LAST FISCAL YEAR. PER-
HAPS AS MUCH AS TWO-THIRDS FOREIGN EXCHANGE RESERVES (NOW AROUND
\$200 MILLION) HAVE BEEN FROZEN AGAINST THAT CONTINGENCY
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C O N F I D E N T I A L SECTION 2 OF 2 DACCA 5406

CINCPAC FOR POLAD

8. BANGLADESH ALSO RUSHED HEADLONG INTO NATIONALIZATION OF INDUSTRY,
ACHIEVING A PAPER ACCOMPLISHMENT OF SOME MAGNITUDE. MANAGEMENT
VACUUM LEFT BY DEPARTING OWNERS WAS FILLED INADEQUATELY BY LOWER
ECHELON OR GOVERNMENT-APPOINTED FAVORITES FROM OUTSIDE, LEADING TO
CONSIDERABLE MALADMINISTRATION, MALFEASANCE, AND THEN DISRUPTIVE
TURNOVER OF EXECUTIVE FORCE. MANAGEMENT PROBLEM IN PUBLIC-SECTOR
PLANTS COMPOUNDED BY OVER-CENTRALIZATION, OVER-POLITICALIZATION OF

DECISION-MAKING. OTHER PROBLEMS HAVE ASSAILED NATIONALIZED SECTOR WHICH ARE INDIRECTLY ATTRIBUTABLE TO SOCIALIZATION OF ECONOMY-- LACK OF IMPORTS, LACK OF TRANSPORT, LACK OF SPARES AND FUEL LEADING TO CHRONIC DISRUPTION OF POWER SUPPLY, AND SO ON.

9. FURTHERMORE, NO REALISTIC SOCIALIST LABOR POLICY HAS COME OUT WHICH WOULD SATISFY REVOLUTION-BORN ASPIRATIONS OF LABOR TO ASSUME
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SHARE OF MANAGEMENT AND PROFITS AND STILL PROTECT OPERATION OF FACTORIES AND INCREASE PRODUCTIVITY. CLASHES BETWEEN LABOR AND MANAGEMENT HAVE ARISEN FROM EFFORTS BY NEW AL LABOR FEDERATION TO TAKE OVER EXISTING UNIONS. LABOR HAS DEMANDED EMPLOYMENT OF SURPLUS STAFF BDG HAS ACQUIESCED IN THESE AND HAS SHOWN LITTLE RESISTANCE TO EVER-ESCALATING LABOR DEMANDS AMIDST CONDITIONS OF INFLATION AND GENERAL SHORTAGE. IN SHORT, LABOR HAS TRIED TO DERIVE WHAT IT CAN IN A SITUATION WHERE NO LABOR-MANAGEMENT POLICY YET EXISTS.

10. PRIVATE RISK CAPITAL CONTINUES TO BE FRIGHTENED OFF. THE CONSEQUENCE OF CONTINUING CRITICISM BY CAZUNET OF ENTREPRENEURS AS CLASS, PLUS STAGNANCY IN ECONOMY, RISING COSTS, AND LAW-AND-ORDER SITUATION HAS BEEN THAT LITTLE OR NO NEW INVESTMENT--FOREIGN OR DOMESTIC--IS TAKING PLACE. STAGNATION OF ECONOMY THUS EXTENDS AND DEEPENS. NOR IS NATIONALIZED SECTOR INCREASING ITS INVESTMENT. MORE OFTEN A GOVERNMENT PLANT OVER-BORROWS JUST TO KEEP STAFF PAID AND ON THE JOB AND CANNOT BORROW FURTHER FOR INVESTMENT EVEN IF IT WISHED.

11. COOPERATIVIZATION OF AGRICULTURE HAS A MUCH LONGER HISTORY. IN COMILLA EXPERIMENT AT LEAST HAS HAD SOME SUCCESS. REPLICATION PROGRAM EXTENDING COMILLA COOPERATIVE SYSTEM ON VILLAGE-LEVEL PROGRESSIVELY TO REST OF COUNTRY HAS BEEN REINITIATED BY BDG. SOME SUCCESSES HAVE BEEN ACHIEVED, BUT MOST OF COUNTRYSIDE CONTINUES UNDER TRADITIONAL FORMS OF ECONOMIC ORGANIZATION. FURTHERMORE, SCARCE GOVERNMENT RESOURCES FOR AGRICULTURAL CREDIT CONTINUE TO BE SHARED WITH THE MUCH OLDER SAMABAYA UNION COOPERATIVES, BASED ON UNION-LEVEL SOCIETIES DOMINATED BY EXISTING, OFTEN AL POWER-STRUCTURE OF LARGER FARMERS. LAND REFORM IS ANOTHER SOCIALIST TENET IN AGRICULTURE BUT TO DATE HAS MADE LITTLE HEADWAY.

12. IN GENERAL, SOCIALISM HAS SO FAR FAILED TO PRODUCE MUCH IN BD. YET ECONOMY HAS SURVIVED. EIGHT TO TEN MILLION REFUGEES HAVE RETURNED FROM INDIA AND HAVE BEEN LARGELY REABSORBED. FAMINE HAS BEEN AVERTED--NO FOOD RIOTS HAVE OCCURRED (AS IN INDIA). THAT PART OF ECONOMY MOST DAMAGED BY WAR--TRANSPORT SYSTEM--HAS BEEN PARTIALLY RESTORED. AGRICULTURAL PRODUCTION HAS KEPT ON. FACTORIES HAVE RESUMED OPERATION. EXPORTS SPURTED INITIALLY, DUE TO BUILT-UP INVENTORIES, AND CONTINUE TO EARN BD SOME FOREIGN EXCHANGE. REASONS FOR ALL THIS, HOWEVER, LIE ELSEWHERE THAN IN SOCIALIZATION OF
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ECONOMY, IN ANY VINDICATION OF MUJIBBAD. REASONS LIE IN:

A) BASIC SURVIVAL STRENGTH OF PEOPLE AND LAND; NEAR SELF-SUFFICIENCY IN SHORT TERM, AT IMPOVERISHED LEVELS OF EXISTENCE, IN A SUBSISTENCE ECONOMY.

B) THEN, MASSIVE FOREIGN AID IN MONEY, FOOD MATERIEL, ORGANIZATION AND PERSONNEL; UN TAKEOVER OF FOODGRAIN UNLOADING AND INLAND TRANSPORT (NOW PHASING OUT); INDIAN MARSHALL PLAN-TYPE ASSISTANCE AFTER WAR; PROPINQUITY OF INDIA AND ITS WILLINGNESS TO PROVIDE AD HOC HELP (AT COST) WHERE BDG HAS FAILED TO HELP ITSELF (EMERGENCY SUPPLIES OF CRUDE OIL, FUEL, COTTON TEXTILES, ETC.)

C) ADEQUATE FOODGRAIN SUPPLY IN CY 1972, DEPENDENT IN PART ON FOOD AID; EXCELLENT RICE CROPS OF CY 1973 WHICH MAY EXCEED 12 MILLION TONS FOR FIRST TIME IN HISTORY; THE GOOD FORTUNE THIS YEAR OF DECENT MONSOON AND FEW SERIOUS FLOODS GJ CYCLONIC STORMS.

D) RESUMPTION OF AID PROJECTS STARTED IN PAKISTAN PERIOD; CONTINUATION OF FOREIGN AID, NOW FOR DEVELOPMENT.

13. THINGS THAT ONCE MOVED CONTINUE TO MOVE...WITH OR WITHOUT ASSISTANCE OF SOCIALISM.

NEWBERRY

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